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The President's Daily Brief

September 16, 1976

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~~Top Secret~~ 25X1

Exempt from general
declassification schedule of E.O. 14176
exemption category: 5b(1), 5b(2), (3)
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FOR THE PRESIDENT ONLY

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EGYPT-ISRAEL: [redacted]

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[redacted] Israeli Defense Minister Peres told press sources on September 1 that the Egyptians had withdrawn three battalions in late August.

This withdrawal marks the first appreciable change in the Egyptian infantry presence in the limited armaments zone since May 31, when Cairo withdrew three or four infantry battalions.

Egyptian Minister of War Gamasy told US officials in Cairo last Monday that a UN team had recently counted nine Egyptian battalions on the east bank. Gamasy insisted that there were only eight--as provided by the Sinai II agreement--and that the discrepancy probably arose from the fact that the Egyptians had reorganized their military structure since the October 1973 war. Gamasy nevertheless agreed to take up the issue with local commanders later in the week, adding that he thought it important that Egypt abide strictly by the provisions of the agreement.

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LEBANON: Syria apparently has thrown its support privately behind the Arab League proposal for a tripartite meeting of Yasir Arafat, Lebanese president-elect Sarkis, and Syrian Prime Minister Khulayfawi.

[redacted] Damascus also has agreed to encourage Christian leaders to approve Sarkis' participation.

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The proposed meeting, which would concentrate primarily on trying to resolve differences between Syria and the Palestinians as a first step toward an overall political settlement, is unlikely to take place before this weekend and could quite possibly be delayed until after Sarkis assumes office on September 23.

President Franjiyah finally reshuffled the Lebanese cabinet in an effort to improve the position of conservative Christians before he turns over the government to Sarkis. Franjiyah did not dismiss Prime Minister Karami, as he planned to do, probably because of Syrian pressure, but he did strip the Muslim Prime Minister of his defense and finance portfolios. Franjiyah awarded the defense post to his militant colleague Camille Shamun, who already holds the interior and foreign affairs portfolios.

In a separate decree, Franjiyah appointed Shamun acting prime minister during Karami's absence in Cairo. It is unclear whether Franjiyah is trying to lay the groundwork for Shamun to declare himself acting president, as many Lebanese officials have predicted he would. The move was clearly intended as a personal slight against the Prime Minister, with whom Franjiyah has long been at odds, and to make it difficult for Karami to attend future negotiations outside Lebanon.

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Franjiyah's tampering with the cabinet so close to the end of his term is, for the most part, academic, but it will make it more difficult for Sarkis to deal with Shamun in the immediate post-inauguration period, when the current cabinet is expected to stay on.

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PANAMA: *The Torrijos regime is reportedly planning to turn continuing domestic protests over price increases into demands against the US Canal Zone.*



Violent, student-incited protests and looting occurred last Friday and again on Monday. Students, workers, and other groups mustered several thousand people for peaceful demonstrations Tuesday, but violence erupted again yesterday. The government has banned further demonstrations and temporarily closed all high schools.

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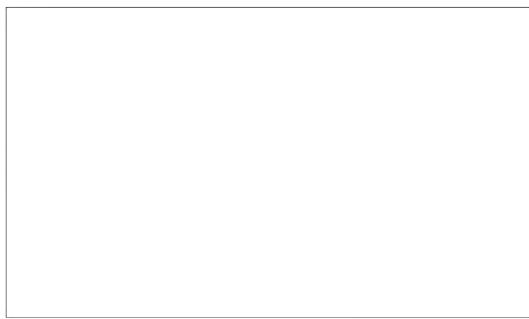
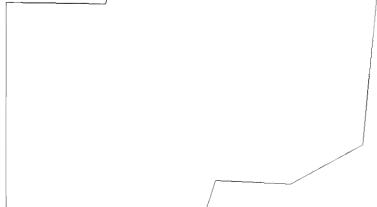
Torrijos is worried that suppression of the students by the Guard could provide antigovernment radicals with martyrs, although thus far there have been no confirmed deaths.

If Torrijos does try to make the US a scapegoat, we believe he will tell the Guard to allow only limited incursions into the Zone.

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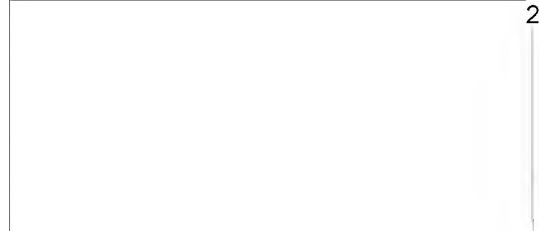
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SOUTH AFRICA - RHODESIA:

Rhodesian air force personnel are continuing to receive training in South Africa despite recent indications that Pretoria was seeking to reduce the level of its military assistance to Salisbury.

Last month South Africa withdrew from Rhodesia helicopter pilots and crews that were supporting counterinsurgency operations against the Rhodesian black nationalists.

The air force programs, under way for several years, include the training of Rhodesian pilots and crews on South African Mirage fighters, C-160 transports, and Alouette helicopters. South Africa also permits Rhodesian instructors to use South African facilities and jet trainers to conduct basic courses for Rhodesian personnel. Rhodesia has at least 33 personnel training on Mirages and C-160 transports.

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Rhodesia does not have the aircraft in its inventory, although the Smith government may hope to acquire them, perhaps from South Africa. The Vorster government is unlikely to let Salisbury have them and we have no evidence that Rhodesia is negotiating for their purchase from any other country.

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NOTES

In Japan, the new slate of cabinet and Liberal Democratic Party officers still reflects a balance of power weighted against Prime Minister Miki.

Deputy Prime Minister Fukuda and Finance Minister Ohira--Miki's leading rivals--retained their portfolios. The new Foreign Minister, Zentaro Kosaka, previously served in that position in the early 1960s and is a staunch friend of the US.

The most important change was the removal of Miki's only major ally, party Secretary General Nakasone. His replacement by a member of Ohira's faction will enable the Prime Minister's rivals to circumscribe further his freedom of action.

The new cabinet generally reflects the party's desire to install officials untainted by the Lockheed affair; only two members of the Tanaka faction--the party's largest--are included. With the question of Miki's own tenure in office to be resolved next month, the new cabinet may well be short-lived and is unlikely to effect any significant shifts in Tokyo's foreign or domestic policies.

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US relations with Sweden are not likely to change significantly if the opposition should win the election on September 19 and 20, although a non-socialist government probably would take pains to avoid unnecessary friction with the US.

Parliament now is divided equally between socialists and Communists on the one hand and non-socialists on the other. Prime Minister Olof Palme heads a minority Social Democratic government and relies on the support of the Communist deputies to block challenges by the non-socialist opposition parties.

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The Social Democrats, in government almost continuously for 44 years, have suffered declining popularity in recent years. The latest polls show the Social Democrats and the Communists winning a combined 47 percent of the votes and the opposition parties 51 percent.

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Brazilian President Geisel, now visiting Japan, will probably sign agreements on investment projects that would more than double the value of Japanese investment in Brazil.

Brazil ranks second to the US as an area of Japanese overseas investment. In the past five years Japanese investment there has increased from \$125 million to \$1.3 billion--over 10 percent of all Japanese overseas investment.

Geisel also hopes to purchase a broad range of Japanese industrial technology as a move toward accelerating industrialization and decreasing Brazil's dependence on imports.

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